



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

December 6, 2006

Honorable William “Bill” M. Thomas
Chairman
Committee on Ways and Means
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The Congressional Budget Office (CBO) has reviewed a draft provision of the proposed Medicare Improvements and Extension Act of 2006 that would authorize the Secretary of Health and Human Services to enter into contracts with private parties (called “recovery audit contractors”) who would identify incorrect payments made by Medicare to health care providers under Parts A and B of the program. From any overpayments recouped, the Secretary would be authorized to make payments to the contractors for their services and to allocate funds to the Centers for Medicare & Medicaid Services to manage this audit program.

CBO expects that this program would reduce net Medicare spending—that is, recoveries of overpayments would exceed the payments to contractors, program management costs, and outlays to correct underpayments. (Under an ongoing demonstration project, payments to contractors have averaged about 25 percent of the amounts recovered.)

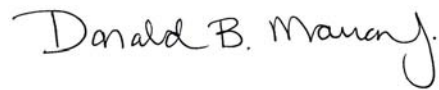
However, Scorekeeping Guideline #14 (adopted by the Congress in the conference report for the Balanced Budget Act of 1997) states: “No increase in receipts or decrease in direct spending will be scored as a result of provisions of a law that provides direct spending for administration or program management activities.” In consultation with the Committee on the Budget, CBO has concluded that Scorekeeping Guideline #14 applies to this provision (just as it would if the spending were not contingent on amounts collected).

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Consequently, for Congressional scorekeeping purposes, CBO's official cost estimate for this provision would not reflect the estimated savings from recouping overpayments, though the additional spending would be counted.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Tom Bradley, who can be reached at 226-9010.

Sincerely,

A handwritten signature in cursive script that reads "Donald B. Marron".

Donald B. Marron
Acting Director

Enclosure

cc: Honorable Charles B. Rangel
Ranking Democrat

Honorable Jim Nussle
Chairman
Committee on the Budget

Honorable John M. Spratt Jr.
Ranking Member